



General Assembly

January Session, 2007

***Raised Bill No. 1366***

LCO No. 5015

\*05015\_\_\_\_\_CE\_\*

Referred to Committee on Commerce

Introduced by:  
(CE)

***AN ACT ESTABLISHING TAX CREDITS FOR ANGEL INVESTORS.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective July 1, 2007, and applicable to income years*  
2       *commencing on or after January 1, 2007*) (a) As used in this section:

3       (1) "Angel investor" or "investor" means an accredited investor, as  
4       defined by the Securities and Exchange Commission, who may seek  
5       active involvement in the business, such as consulting and mentoring,  
6       but "angel investor" or "investor" does not include (A) persons  
7       controlling fifty per cent or more of the Connecticut business invested  
8       in, (B) a Connecticut venture capital company, or (C) any bank, bank  
9       and trust company, insurance company, trust company, national bank,  
10      savings association or building and loan association for activities that  
11      are a part of its normal course of business;

12      (2) "Cash investment" means money or money equivalent in  
13      consideration for qualified securities;

14      (3) "Connecticut business" means any business owned by an  
15      individual or a partnership, association or corporation, and domiciled

16 in Connecticut, or any corporation, even if a wholly-owned subsidiary  
17 of a foreign corporation, that does business primarily in Connecticut,  
18 or does substantially all of such business's production in Connecticut;

19 (4) "Qualified securities" means (A) any form of equity, including a  
20 general or limited partnership interest, common stock, preferred stock,  
21 with or without voting rights, without regard to seniority position and  
22 whether or not convertible into common stock, any form of  
23 subordinate or convertible debt, or both, with warrants or other means  
24 of equity conversion attached; or (B) a debt instrument, including a  
25 note or debenture that is secured or unsecured, subordinated to the  
26 general creditors of the debtor and requiring no payments of principal,  
27 other than principal payments required to be made out of any future  
28 profits of the debtor, for at least a seven-year period after  
29 commencement of such debt instrument's term.

30 (b) There shall be allowed a credit against the tax imposed under  
31 chapter 229 of the general statutes for a cash investment in the  
32 qualified securities of a Connecticut business by an angel investor. The  
33 credit shall be in an amount equal to twenty-five per cent of such  
34 investor's cash investment, provided no credit shall be greater than one  
35 hundred twenty-five thousand dollars. The credit shall be taken in the  
36 year in which such cash investment is made by the angel investor.

37 (c) To be an eligible cash investment qualifying for a tax credit  
38 pursuant to this section, such investment shall be in a business that (1)  
39 has been approved as a qualified Connecticut business pursuant to  
40 subsection (d) of this section, (2) has had annual gross revenues of less  
41 than five million dollars in the most recent income year of the business,  
42 (3) has fewer than one hundred employees, more than half of whom  
43 reside in this state, (4) have been operating in this state for less than ten  
44 consecutive years, (5) is primarily owned by the management of the  
45 business and their families, and (6) received less than one million  
46 dollars in the tax credits provided by this section. No investor may  
47 claim a credit pursuant to this section for cash investments in

48 Connecticut Innovations, Inc.

49 (d) (1) A Connecticut business may apply to the Commissioner of  
50 Economic and Community Development for approval as a Connecticut  
51 business qualified to receive cash investments eligible for tax credits  
52 pursuant to this section. The application shall include (1) the name of  
53 the business and a copy of the organizational documents of such  
54 business; (2) a business plan, including a description of the business  
55 and the management, product, market and financial plan of the  
56 business; (3) a statement of the business innovative and proprietary  
57 technology, product or service; (4) a statement of the potential  
58 economic impact of the enterprise, including the number, location and  
59 types of jobs expected to be created; (5) a description of the qualified  
60 securities to be issued, the consideration to be paid for the qualified  
61 securities, the amount of any tax credits requested and the earliest year  
62 in which such tax credits may be redeemed; (6) a statement of the  
63 amount, timing and projected use of the proceeds to be raised from the  
64 proposed sale of qualified securities; and (7) such other information as  
65 said commissioner may require.

66 (2) The Commissioner of Economic and Community Development  
67 shall, on or before January first of each year, compile a list, categorized  
68 by estimated amount of tax credit and type of qualified securities  
69 offered, submitted by qualified Connecticut businesses. Any angel  
70 investor that intends to provide a cash investment to a business on  
71 such list may apply to the Commissioner of Revenue Services to  
72 reserve a tax credit in the amount indicated by such investor. The  
73 aggregate amount of all tax credits which may be reserved by the  
74 Commissioner of Revenue Services shall not exceed twenty million  
75 dollars in any one fiscal year.

76 (e) The amount of such credit allowed to any investor pursuant to  
77 this section shall not exceed the amount of tax due from such investor  
78 under chapter 229 of the general statutes with respect to such taxable  
79 year. Any tax credit not used in the taxable year during which the

80 cash investment was made may be carried forward for the five  
81 immediately succeeding taxable years until the full credit has been  
82 allowed.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	New section

***Statement of Purpose:***

To increase entrepreneurial activity in Connecticut by providing a tax credit to "angel investors" who make investments in very new businesses.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*